

THE
FINANCIAL CRISIS:

ITS EVILS AND THEIR REMEDY.

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THE FINANCIAL CRISIS.

CHAPTER I.

Cause of the pecuniary prosperity of the country during and since the war.

THERE are two or three points in the financial question which, it seems to me, need more elucidation than they have yet received, either in the exhaustive reports of Mr. McCulloch, or in the elaborate exposition of Mr. Welles, and which, at the present moment, when we are just entering upon a new phase of our financial experience, it is important should not be overlooked.

The first is, that while paper money has played an important part in our affairs during and since the war, and has constantly given an artificial value to commodities and securities, it is not that which has made trade active, business prosperous, and individuals rich, during this period; but, on the contrary, these results are to be imputed to the gigantic expenditures of the Government, which would have produced similar results, if the circulating medium had never been expanded, or, indeed, if the war had been conducted (if that had been possible) on the basis of specie payments.

The essential cause of the prosperity of the loyal portion

of the country being the fact that a vast consumer of all its products suddenly appeared, and steadily devoured them with an insatiable appetite during four years and more. The Government, which had hitherto bought little of the people, all at once became their best customer. And those whom the Government expenditures made suddenly rich, also became great consumers. It needs no ghost to tell us that every productive force in the country was set in motion by the war. Its manufactures and its agricultural products were all in active demand. Every thing that could be raised or made found a ready purchaser at high and rising prices. The manufacturer of iron, of wood, of cotton, of wool, of leather, the raisers of pork, of beef, of grain, the miners of coal, and copper, and lead, the owners of railroads, and canals, and steamers, factors and merchants, middle-men and laboring-men, all had their labors stimulated to the utmost extent. Everybody pocketed stupendous profits, and of course everybody got rich. Government agents took as much as, and often more than all other purchasers combined. Bounty money was showered on the working population, and thus all came in for a share in the golden harvest. Then came that complacent reflection: "How strange!" "How strange that war, which always exhausts and prostrates, should change its character for us, and create prosperity and plenty! How does it happen? Paper money. Ah! we see. It is this which does it." And here we see the birth of that great popular delusion which still holds possession of the public mind. The instrument of the diffusion of prosperity was at the start confounded with the cause of it. "So good is four hundred millions of paper money," exclaimed Thaddeus Stevens, "that we should have a thousand millions of it." The essential, fundamental, but remoter cause of the rise of prices and rapid accumulation of fortunes, was then overlooked, and to a great extent has been ever since. So that writers of financial articles are every day still sounding the praises of a redundant paper circulation for being the cause of the prosperity of

trade, while they admit it ought to be curtailed, and that the country ought to return to specie payments; having a vague idea in their minds that an inflated currency is somehow injurious; while, if their views of the agency and uses of paper money be correct, the last thing that ought to be done is to diminish its volume.

These writers, and the public, overlook the fact that the Government has scattered the prodigious sum of \$2,500,000,000 and more, which it has given its notes for and owes to-day, and has also distributed other hundreds of millions which it has drawn from the people by taxation from all classes; and that to this fact, and to this almost alone, is owing the extraordinary and exceptional prosperity the loyal States have enjoyed during and since the war.

This immense consumption of products was of itself sufficient to enhance prices in a most important degree, whatever the character or volume of the money in circulation. It was great enough to raise prices of many articles, not only here, but in all the principal markets of the world. The imposition of high duties and high taxes was, of course, another element in the increase of price of commodities, and another was most certainly the excess of paper money. It is, perhaps, no wonder that while these agencies were acting in concert, the public mind did not discriminate closely, and did not look beneath the surface to measure the exact influence of each. Paper money was plentiful, and the plentifulness made high prices. It was not necessary to go further to account for what was occurring.

But it is strange that, at this late day, the joint operation of equally important agencies should be overlooked, or not understood, and that the habit should still so extensively prevail of ascribing the activity of trade, the extension of business, and the advance of prices, solely to the excessive volume of the circulating medium.

It may be asked, if these views are sound, how is it that the industrial activities of the country have, until recently,

suffered no abatement since the war ended? How does it happen that business continues good, and that prices have kept up since the Government demand ceased?

Outside the paper-money men there are those who have endeavored to find the cause in some miraculous powers of our nation over every other, in its capacities of consumption. In the second place it is imputed to the habits of universal prodigality engendered by a period of war and unusual prosperity, and the general neglect of the old economies of living. In the third place it is attributed to deficient production, caused by the destruction of so many lives in the war. The first of these suggestions is merely a dream of the bidders. The second is a very small cause to assign for a very great result. The third seems to have weight, but really possesses little soundness, for these reasons:

The productive force of the country in every thing but agriculture, and to a large extent in that, is not in muscle, but machinery. But the men we have lost by the war have been nearly made good by immigration, while our machinery of production has been enormously increased by it. The manufacture of small steam-engines, as well as new inventions for all manner of industrial purposes, within the past few years, is something remarkable. The productive power of the country is thus not diminished, but has really augmented.* And the extraordinary activity and vivacity of the national character always give tremendous impulse to the agencies of production so long as a channel of trade is left to be inundated. Our countrymen do not forbear driving ahead from prudential considerations, under any circumstances. Such is the genius of our people. They never half do or do just enough. They rush to extremes. It is the American way. We never believe ice is weak till we have tried it and gone through. We never believe a ship has got on all the

* The Governor of Massachusetts, in his annual Message of January, 1867, reports an increase of seventy per cent. in the manufacturing capacity of that State, during the last ten years.

sail she can carry till we capsize her. We will not admit a boiler will not bear more steam till we have burst it.

We are not, then, having high prices from deficient production. The real cause of them, and of the general animation of trade since the war closed, is this : That period found the country stripped bare ; every commodity of consumption had been exhausted ; the industry of the country had been taxed to its utmost to supply the wants of the Government ; it was living from hand to mouth, and had been for a long period. Those who believed that when the war ended demand would instantly cease and prices fall, and among the traders those who reduced their figures on their stocks, very soon discovered their error. At this point the wonders of paper money were again sung. "See how wonderful are its effects ! It maintains price and demand ; it carries us from war to peace without a jerk. Great is paper money ! By no means let us diminish its volume." The real cause of continued industrial activity and high prices was not imagined. People did not seem to reflect that vast quantities of every consumable thing were required to supply deficiencies created by the war and to replenish the stocks of trade. For the last year and a half, our producers, on every hand, have been working to fill empty warehouses and shops. Until the point of full supply is reached, and in some cases a glut, there can be no cessation of demand and no reduction of price. Industry has been employed in filling a void which is only now beginning to show signs of disappearance. But at length the empty is becoming full. One branch of trade after another is getting plethoric. Demand is ceasing, and prices in these branches are giving way. Paper money, though still swelling the channels of circulation in undiminished volume, does not hinder this decline. It does not save Coal, nor Pork, nor Cattle, nor Woollens, and many minor articles from a great fall in price. The Great Consumer has disappeared, and the dearth he created has been followed by fresh supplies, until abundance is being reestablished in every quarter. Descending prices will now

be the rule, until they become more and more unremunerative. The producer has had his day. The consumer must now have his, and all the contrivances in the world cannot prevent it.

CHAPTER II.

The country entering upon a period of severe financial trial.—Legislation cannot avert it.—Paper money cannot relieve it.—What paper money does, and what it cannot do.—Pressure on Congress for relief by paper-money men.—Their errors.

NEXT to convincing itself that it is the gigantic expenditures of the Government, and not paper money, that has given prosperity to our industry during the war, and that since then, that industry has been employed to fill a void created by the war, the thing most needed by the country, is the conviction that it is entering a period of severe financial trial, and that no contrivances of legislation can avert it.

As yet, it refuses to look this unwelcome fact in the face. But we must come to this point. It is the only solid groundwork on which we have to stand. We are not going to pass from a tremendous war to a state of peace without a shock. It is not in the nature of things. It has not been our own experience. It has not been the experience of other nations. We have only to reflect that we have just lost a customer for the products of our industry, who has swallowed five hundred, six hundred, seven hundred millions of dollars annually, to know that that loss will leave a glut in the market, and that that glut must be followed by a fall in prices, and that this fall of prices must bring stagnation to trade (for nobody buys on a falling market), loss to all venders, and ruin to many. This cessation of demand, of itself, creates a pressure, a revulsion, a collapse, a break-down in the mercantile world. There is no help for it, except in the substitution of a new customer or new customers, to take the place of the old. But these

never can come fast enough in the natural order to prevent such results. And thus their avoidance is impossible. This country, and every country, must experience them in such a transition as that through which we are passing. And what the nation has need to do, is to rouse itself from the vain delusion, the torpor and sloth of the supposition that we can legislate ourselves out of the essential difficulties and sacrifices that inhere in our condition; and more especially must it discard the belief that the miserable expedient of an excessive and irredeemable paper circulation, can be made an efficient means of relieving the country from the burdens imposed and the conditions created by an expensive and exhausting war.

It is so difficult to say any thing about paper money that has not been said before, that one involuntarily shrinks from the topic. The man who could invent a brief set of terms exposing at once the virtues and vices of an excessive paper circulation, showing when and where it is good, and when and where it is bad, would be a public benefactor. The public mind is always in a haze on the subject, and as it cannot or will not study the question through instructive essays, it seems essential that some formula of the truth should be invented to bore through and let daylight in upon the general understanding. Then there is this unhappiness. In their attempts to elucidate the subject, even our best and most thoroughly-grounded writers advance very misty and equivocal positions, while those who know nothing about the subject are always darkening counsel by words without knowledge. Let not this remark be taken as a reproach. To say one knows nothing of finance, is no more than to say that he knows nothing of law or surgery. It is no reproach to the man who has no taste or talent for either, or who has never made either a study.

But even if theory is discarded, our experience is amply sufficient to show that our paper-money system is a fountain of mischief. We know that it prompts speculation and supports it in a way most injurious to consumers; that it de-

ranges regular trade ; that it is the food of the gamblers of the stock exchange, and that it involves every kind of business in perplexity. It makes the return of regular industry uncertain, and by so doing discourages its exercise. Its fluctuations in its relations to gold and silver constantly disturb prices, and are a daily and hourly nuisance, by making every act of trade a lottery, and every bargain a gambling transaction.

If we may not undertake the tedious task of exposing errors, and endeavoring to define specifically what is difficult of brief definition, we can at the least hold fast to a few clear ideas of what our paper circulation has not done, and cannot do. We have already seen that it has not created the individual wealth accumulated during the war, and we know it cannot create consumers. It is powerless to counteract the mighty laws of supply and demand, even to the extent of maintaining exorbitant prices, as has been shown in the fall of leading articles of consumption already enumerated.

The difficulty is, that even these simple truths are ignored. People see a great growth of individual wealth along with the expansion of the paper circulation, and they will insist upon seeing in the two nothing but cause and effect. They oppose the contraction of the currency on the ground that if it is contracted, business will suffer and prices will fall. They are not contented with this, but go further, and hold that if the currency is not diminished, trade will *not* suffer and prices will *not* fall. And herein is their vital mistake. What is wanted to keep trade active, and business good, and prices high, is demand and consumption ; and this is just what paper money is powerless to furnish. Unless the demand for commodities is kept up, trade must slacken, business must decrease, and prices must fall. Thus if this nation is not going to use as much, and destroy as much of the products of industry, in peace as it has done in war, these results are sure to happen. This, it would seem, must be apparent to everybody. Whether there is any diminution of the circulating medium or not, it is inevitable that we must have a

period of depression and prostration. Upon this period we are only just beginning to enter. As yet there is no overwhelming pressure upon Congress for relief, and there may not be during this session. But it is sure to come in the end with a tremendous clamor. The new system of national banks will furnish a leverage such as was never yet brought to bear on that body. It is not the habit of Congress to resist great pressure, and it is to be proved that its character has undergone a change. On the assumption that paper money has done the country so much good, it will naturally be urged that it should have more. At the least, it will be insisted that it shall have no less. And when it is seen, as it will be, that prices continue to fall and that trade gets more and more depressed, this inevitable result of our transition from a state of war to a state of peace, will be still pointed to as an evidence of the necessity of the remedy proposed.

If it were not for the mischief arising from delay, it might be worth while to wait the progress of events under the present inflated state of the currency, without enforcing any of the plans for its diminution, for the purpose of demonstrating that we cannot be saved from loss and depression and stagnation, arising from diminished demand and the fall of prices, through the agency of a depreciated currency. But the country cannot afford this loss of time simply to refute false ideas and erroneous theories.

In brief, the nation has a lesson before it, which it has very slightly studied, and it is high time it set about it. In consequence of the war, the laws of trade and finance, which can alone be safely relied on to govern the currency, have been superseded by Congressional legislation. The opening of the new year is coincident with a new phase of our experience. It finds the currency at its full, and a marked fall in the price of commodities, with all its threatening consequences. This opens anew all the questions of trade and finance. Is it not time we were thinking of remitting them to the control of their own natural laws?

CHAPTER III.

What course to adopt with our paper circulation.—The prosperity of the country no bubble.—Error of the inflationists.—How much circulating medium is required.—How to settle the question.—The national banking system on a bad basis.

IN order to a proper understanding of what to do with our paper circulation, it is necessary to perceive the precise part it has played during and since the war; and what has been said on this head hitherto, has been uttered mainly with a view to show what it has NOT done, but what has too often been imputed to it. Whether we have had too much or too little during the war, is not now a practical inquiry. It is enough to know that more or less was indispensable. That mistakes were made in issuing it, on more than one occasion, we have now no need to affirm or deny. The question for solution now is, what to do with what we have. Shall we leave it as it is, shall we add to it, shall we diminish it? Shall we continue to govern the supply by artificial rules, or shall we place it under the natural laws of supply and demand?

We may say here, that we do not hold the property created by the war to be a bubble which is to disappear in some coming financial collapse. The fact admits of no doubt, that there has been an immense accumulation of private property during and since the war, arising, directly and indirectly, from the gigantic expenditures of the Government, which have overflowed the country like a freshet, leaving its *débris* everywhere. This property exists and will continue to exist without any reference to whether the currency is increased, reduced, or remains as it is. This wealth is no bubble: it has taken form in stocks, bonds, real estate, establishments, money. A vast number of people have been made rich, and some, enormously wealthy. These riches are diffused all over the country. They are real, and will remain to a greater or less extent, depending on the care and prudence with which

they are husbanded, or the prodigality and extravagance with which they are squandered. But the real value of these acquisitions does not depend on the volume of paper money.

Whether the property thus amassed is not represented by a national indebtedness weighing upon the capital and industry of the country, which is more than an offset for these accumulations, is quite outside of the fact alleged. Let it be admitted that it is the visible representation of the earnings of a coming generation. It is none the less real and tangible to the holders of it for all that. But it is a dangerous mistake to suppose it is the fruit of an inflated paper currency, and that the experiences of its accumulation can be repeated by simply keeping up or adding to that inflation.

We have, then, seen what paper money has *not* done, and we know there are things which it cannot do. It cannot create markets or consumers. If Government should begin the reissue of paper money and continue till it had shingled every acre in the country with it, it could not thereby create a market for a single extra dollar's worth of the products of industry. It is only when it becomes a consumer that it does this.

The same may be said of an excess of circulation of the precious metals. And thus it is the paper-money men impute to paper currency a degree and quality of efficiency impossible even to coin itself. But specie has at once an intrinsic value and a commercial value, being susceptible of export when in excess, and thus never clogs the wheels of traffic and unsettles values, as an excess of paper money does.

The error of the inflationists arises from a mistaken view of the functions of money itself, which is merely an agency of traffic, and a lever of industrial development, limited in this latter function by its profitable employment; which, in its turn, is obedient to those laws of supply and demand which have the whole commercial world for their theatre, and conclude their circle of operations in any given instance by settlements in the universal standard of value.

Thus the coin circulation of no country can ever be too great, because the excess is always drawn away by the regular operations of trade. But there is no way of getting rid of an excess of paper money, or of measuring the excess, except by its conversion into gold and silver, or some obligation like bills of exchange, representing gold and silver in some one of the great financial marts of the world, it matters little which. Those persons who are always telling us that we need this sum or that sum to supply the wants of trade, talk without certain knowledge. They may be nearly right, or they may be very wrong. There is only one way of ascertaining how much our currency, or rather our circulating medium, is in excess. This is by subjecting it to the touchstone of redemption. If there is now none too much paper money afloat for the wants of trade, as is sometimes alleged, then, with all our numerous agencies of supply, it is impossible it should be much diminished by bringing it to this test.

The true measure of our circulating medium is the requirements of the business of the country. These requirements vary from month to month, from season to season, and from year to year. It is impossible for mortal man, however knowing or wise he may be, to state with any precision what is requisite for this country at this moment, or for a year or for years to come. Our only guide is in the statistics of the past, and this guide is fallible. Those who believe we require a very great increase above any previous period, and those who believe we do not, can never settle the question by argumentations, by statistics, or by any other method of exposition satisfactory to the disputants. We have just one way to come to a sound conclusion, and only one, and this is by bringing our paper money to the test of redemption.

The one practical point to which these remarks have been tending is the question, "What shall be the limit of our paper circulation?" Shall the answer be left to A, or B, to your Committee of Ways and Means, or your Finance, or your

Banking Committee, your Secretary of the Treasury, or your city bankers? Who knows? Not one of them? There is only one answer—leave it to the laws of trade.

But how? Somebody may say: "Congress in its wisdom has limited the volume of National Bank issues to three hundred millions, whereas I agree with Mr. Thaddeus Stevens, or Mr. Somebody else, that we ought to have one thousand millions. You must not limit the supply to any arbitrary sum if the laws of trade are to govern."

To this we might answer: In the present state of the supply and diffusion of the precious metals, the country has no need of banks of issue, and would be better off without them. But this judgment is in advance of public sentiment, and we forbear, therefore, to make any such reply. We prefer to meet it by saying the objection is well taken. On the basis on which the National Banks stand, rotten as many of them undoubtedly are, there should be no limitation upon their multiplication. Under proper general regulations as to capital, management, etc., the rule should be,—give a bank charter to whoever wants one, only hold the banks to an inexorable provision of redemption, and at some central point. The expansionists want a full swing of paper money. Let them have all that the banks already existing, and all that the banks which can be established, can furnish. Only put all, banks and circulation alike, under the absolute dominion of the laws of trade. If a bank promises to pay, make it pay. They are a precious set of paper-makers. Set them to work as paper-redeemers. Make the law inexorable, and show no favor and no mercy in its execution. The existing banks have long been enjoying the privilege of banking at the expense of the people and Government, paying their lively dividends of twelve to twenty-four per cent. per annum. It is high time they were set to doing something useful to the public as well as to their stockholders.

These views may be consistently entertained while holding, as we do, that the national banking system rests on a wretched

basis, from the fact that their capital is a torpid mass, useless for all purposes of legitimate banking, or as a reserve in an emergency. It is what is called in the Bank of England the "dead weight." The banks are thus like those marine animals whose bodies are useless from being attached to the rocks, while only their feelers have any motion or vitality. The circulation of these banks is measurably secure, but the banks themselves are likely to be found unable to withstand great crises in our money affairs.

CHAPTER IV.

Remedy for our financial disorders.—Congressional control a vast evil.—Necessity of getting the subject of paper money out of the hands of Congress.—Laws of trade the only sound guide.—The prospective repeal of the legal-tender act advocated.

HAVING laid down the foregoing general propositions, and expressed some general views on the subject of our financial condition, we come to the practical question of the remedy, if remedy there be, for the circumstances in which the country finds itself.

If there be any weight in the statements made and judgments given, we must accept the fact that the business of the country is entering upon a period of depression and trial, which comes of the transition from a state of war to a state of peace. The precise why and wherefore has been explained. At the same time, we are left with a great debt, on which we must pay the interest, and with a great sum of irredeemable paper-money afloat. I have shown that while to a certain extent this paper money has been a useful instrument, and an indispensable instrument, for the conduct of the war, the exceptional prosperity of the industrial interests of the country, during and since that period, is in no sense to be imputed to it.

I hold now, that the time has come when this expensive and demoralizing instrument of traffic should be set aside and its use dispensed with. Because, first, the necessity for it has passed away with the war which brought it into being; secondly, because of its mischievous influences, which we have already briefly depicted; and lastly, and above all, because, until it is got out of the way, stability in mercantile and financial affairs is impossible. So long as it lasts, the trading and industrial interests of the people will be kept afloat and shivering in the wind, or standing on shifting and treacherous foundations; will continue to be the sport of legislative caprice, and the football of gamblers and speculators. Until Congress retraces its steps, and removes its hand entirely off the money concerns of the country, it is impossible to commence the reconstruction of any stable basis for the future prosperity of either its capital or its industry.

I hold that so much of this, if not demonstrated, is yet demonstrable from the views already advanced and intimated—views clearly defined, not recondite, or difficult of apprehension, but capable of being considered and judged by every man of common sense in the country.

So long as the supply of the circulating medium is left to the regulation of Congress or the Treasury, it is in vain to attempt to make any calculations in regard to the future. That supply will depend on changing opinions, on extraneous influences, on selfish and defective judgments. This uncertainty is necessarily fatal to all sound opinion in regard to the course of mercantile affairs. The manufacturer, the agriculturist, the ship-owner, the capitalist, the financier, will continue to be, as they now are, alike embarrassed and baffled and confounded in regard to the future. No man in any branch of business is safe in any calculation he may make. Prudent men will make none, beyond the necessities of the hour. Up to the time of high water in our war-tide, it was safe to indulge in a general calculation on the set of the current. But now that that tide has turned, and no man can tell

whether it will be the policy of Congress hereafter to erect dams to arrest, or cut sluices to facilitate the flow of that current, or how often it will change from one policy to the other, it becomes an urgent necessity to get the whole subject of paper money out of Congressional hands and out of Executive hands. In a commercial country, as, indeed, in every country, the laws of commerce are the only sound guide in regard to the amount of money that commerce requires. If Government meddles, it only meddles to make mischief.

No legislator, no executive officer, no man, is wise enough to see the operation, measure the influence, mark the bounds, or direct the currents of the trade and enterprise of a great nation like this. And what no man can do, no body of men can do, and thus they have no right to claim the control. General laws on such a subject may be enacted. Specific provisions, never.

Without undertaking, therefore, to sit in judgment upon the opinions of individuals as to the amount of paper circulation this country requires at the present moment, or upon their other theoretical opinions touching the same subject, we have a right to demand of our legislators that they acknowledge their inevitable imperfections, and that they leave matters beyond their ken and beyond their proper jurisdiction, to the natural laws that govern them.

We got into our present dilemma in consequence of Congress erecting an artificial standard of value in place of the universal standard. We threw down the inflexible metallic measure, and we set up this shifting and vacillating standard of a government promise. What Congress needs to do, is to get back from where it started. It needs to repeal the Legal-Tender Act. This is the direct road, the short cut, to the only policy upon which the reconstruction of the business and industry of the country on a sound basis is possible. Let Congress, then, have done with flying its paper balloons; let it have done with trying to measure that variable and indefinite quantity of promises to pay, requisite for the commercial

needs of this great people. Let it establish the policy of restoring the state of things which existed before the war. They should have no difficulty in doing this. The hard-money men will, of course, agree to it. The expansionists say there is no more paper money afloat than the business of the country requires. If this be true, resorting to the metallic standard will not diminish the quantity. For, with our innumerable agencies of supply, the country cannot fail to get all that is necessary.

So, too, those who hold that prices are quite independent of paper money, as was argued at length and approvingly in the House the other day—they surely should consent to this policy. For if an undue supply of paper money does not influence prices, then its diminution will not. So that all such persons are logically precluded from opposing the metallic standard. This long hour's speech to which we refer, proceeded upon the idea indicated, and also upon this: that it was evident we had none too much paper afloat, because prices had fallen and were falling. An answer to which position can be comprised in a single sentence, and it is this. Paper money does affect prices, but it does not prevent the laws of supply and demand from operating also.

This practical issue of the repeal of the Legal-Tender Act is not suggested as a measure necessarily demanding instant operation, in order to subserve the most useful purposes. It is not necessary it should be made to take effect at once; neither to-morrow, nor next day, nor next week, hardly even next year, though this we shall not say. If a bill for the repeal of the Legal-Tender Act could be passed with sufficient sanctions and guaranties, fixing a prospective but unchangeable period for it to come into operation, we might have almost at once, many of the benefits of resumption of specie payments. Only let the country understand that the legal standard is to be restored at some fixed period in the future—and from the hour it should be enacted, the business of the nation could begin to erect itself upon a firm foundation.

Every man would then know what was before him, and business and industry would gradually resume its regular channels; and stability and certainty in commercial and financial affairs would begin to supersede the uncertainty, the confusion, the embarrassment, and perplexity that have so long reigned therein.

CHAPTER V.

The national banks.—Their creation an error.—Their existence an obstruction to the resumption of specie payments.—Proposition to suppress their circulation and substitute greenbacks condemned.—Necessity of establishing a central redemption.—Policy of resumption urged.

THE proposal has recently been made in Congress to substitute greenbacks for the \$300,000,000 of national bank notes. It is one of the numerous significant commentaries upon the unwisdom of leaving the subject of the amount and character of the circulating medium to be bandied about in that body. The politics of the country are a disturbing element in finance and business, even when confined to their proper sphere; but to have them made the axle and pivot on which trade, and commerce, and industry turn, is to inflict the greatest mischief possible upon a commercial and trading people.

Here, now, is our new national banking system; bad enough, no doubt; but it exists, and is already thoroughly interwoven with the business interests of the people. It has been urged through, fought through, over the dead bodies of the State banks. It has not been fully under way sixty days. The Treasury Department is barely done with furnishing the three hundred millions of notes, to which the issues of those banks are limited. And now comes an eager proposal to overturn the whole system by recalling these three hundred millions and substituting greenbacks in their stead.

The promoters of this scheme seem to have just discovered

hat the national banks are banking at the expense of the Treasury. Why, this was the sound, original objection to the first proposal to establish the system. It was the complete answer to it, and the one which, if it had been intelligently adhered to and insisted upon, would have given the profits of the three hundred millions of the circulation of the national banks to the Treasury. It was the clear policy of the Government to have taxed the circulation of the State banks temporarily out of existence, and they would willingly have submitted to the process in the exigencies of the hour. The Government needed and should have had the field to itself. It was only necessary to have said to the State banks, "Necessity rules; and this privilege we now recall shall be restored to you the instant the exigency is over." That was the time to have given the Treasury the benefit of the proposition now urged. It was ten times more important then than now. But the time has long gone by for any such action. If Government had early taken possession of the channels of circulation, by suppressing all bank-note circulation, as it might easily have done, we should now have nothing but greenbacks afloat. Suppose that were the case, and we had the old State banks in existence, or so many of them as the war would have left us, after being shorn of their powers of issue, do we not see how immeasurably better our financial situation would now be than it is? Eager to resume their old privileges as banks of issue, they would all have been to-day ready to do it on the condition of specie payments. Every one would be on the side of resumption, and so would the great body of their customers and the public; for the reason that resumption, in such a case, would be bank expansion. How different is the actual state of the case! Nearly every national bank expanded to the failing point, and every one (with of course honorable exceptions) opposed to any contraction of the facilities by which they are earning from 12 to 24 per cent. per annum. The whole national bank system is at this moment a gigantic

obstruction to an approach to specie payments. But while this is the case, it will not improve things to simply exchange their notes for greenbacks. This is not what is wanted to get back to specie payments. Such a process of exchange would only make a bad matter worse. And for this reason: It would deprive the country in its approach to resumption of all bank facilities whatever, based on bank issues. Unless it is proposed to establish permanently the business of the country on the rotten foundations of irredeemable Government paper-money, what is now needed above all things is to redeem the greenbacks and get them out of the way, and let their place be taken by coin or notes of specie-paying banks. There is an idea afloat that we can keep greenbacks in circulation after resumption of specie payments, sufficient for the business wants of the country. Never was there a greater error. This is impossible, unless the Government turns banker and issues its notes for mercantile paper. In no other way can it keep them out or supply the necessities of trade and commerce. This, of course, it will not do. Thus its issues of paper will be confined to its disbursements, which will often be, where money is not wanted, when it is not wanted, and in sums either too great or too small for business requirements. Then the aggregate annual supply, even if it could be judiciously distributed, would be totally inadequate to the wants of the community. The upshot of the experiment would be, that the greenbacks would be returned much faster than they could be issued, and the country would find itself transacting its whole business, not only on a coin basis, but actually with a coin circulation mainly. Hard-money men would have no objection to this. But such a process is not to give the country the benefits of a paper currency, which it feels it requires, but to rob it of those benefits.

So much, then, for the proposition to substitute greenbacks for the notes of the banks, while we are trying to find our way back to specie payments. Such an exchange would only be a hinderance, as it would be a sure means of increas-

ing the mercantile pressure as we approached that goal, for the reasons now given.

For good or for evil, then, the existing banking system will stand for the present without material modification, because it will be highly injurious to the business interests of the country to disturb that system. Indeed, the idea of oversetting it in a fundamental particular just at the moment it is fairly afloat, will not bear respectful characterization. But one thing Congress might do, and ought to do. It ought to force the banks to a redemption of their notes at some central point, or central points. The subject is one of difficulty, we know, but not impracticable. No measure would do more to insure a healthful action in the channels of circulation than this, and none is more needful. At present the bank circulation is a perfect Dead Sea. It is slimy from stagnation. Banks issue their quota of notes, and never see them afterward. Being never called upon to redeem, they never hold themselves in readiness to redeem. Nothing breeds unsound banking like this. A law compelling interior banks to provide for their circulation at commercial centres, would drain these stagnant pools of paper money, and create something like a healthy current. This step is really essential, and it is to be hoped that Congressional timidity, operated upon by the selfish hostility of the banks, will not be kept from advancing this little way in the right direction. Congress would take a great stride in the same course if it would adopt a suggestion which has been made, and prohibit, or essentially limit, bank dividends, until specie payments are resumed. So long as the banks are permitted to divide sums varying from 12 to 24 per cent. among their stockholders annually, as the results of their paper issues and kite-flying operations, it is not difficult to perceive what obstinate enemies of resumption they will be. If they were prohibited from using their enormous profits either in the way of loans or dividends, they would soon be forced out of their hostile position.

Though the indications in Congress are that that body is restive under the policy of contraction, it is nevertheless committed to that policy by the proceedings of the last session. And it cannot escape this committal. It is not likely a majority could be got to reverse this action, but if it could, the Treasury Department and the veto power would probably frustrate the attempt.

If we may not count on Congress immediately moving further on the direct line of resumption, we may yet entertain the hope that that body will gradually come to the light on the whole subject, and push forward in some of the directions indicated. If Congress will only convince itself thoroughly of the fact that we have not to arrive at, but that we are already in, a financial crisis; a crisis precipitated by events not subject to control; a crisis the country must face, and through which it must pass, they will not be far from reaching the conclusion that the sooner we are through with it the better. There has been pluck enough and endurance enough, to fight the country through a horrible war, and to abandon the attempt to do it on peace principles. It is a fair presumption there are enough of the same qualities left to carry it through the mire of paper money in which we are now wallowing, and get us out on to hard bottom.

We do not want to be McClellanized in our finances, as we were in our war, by a fear to move lest somebody should get hurt. The resources of the country are vast. The world is full of the precious metals, the universal standard of value. Why, then, should this great nation stand groping in the fog and floundering in the mire of irredeemable promises to pay, and prolonging the disreputable position of the Government, when a plain and open, though it may be a rough road, will lead it out of its complications?

It is the policy of sloth, of timidity, of weakness, to postpone doing a disagreeable thing, when we know it must be done, and that the sooner it is done the better. This great

commercial country must return to specie payments. Its industrial development, its standing before the world, its stable prosperity, the just and regular reward of its labor, the honor of its financial character, all alike demand a return to the metallic standard. The golden streams of California, and Nevada, and Colorado, and of our other Territories, which are annually pouring over the country, create totally new conditions for us. Without the golden flood of the last eighteen years we might have to accept paper money indefinitely, and perhaps even bankruptcy, as the result of our circumstances. But that flood saves us, as it does many another debtor nation. The entire amount of the gold and silver circulation of the world was estimated at not more than \$2,500,000,000 in 1848; the period of the discovery of California gold. Since that time, we have added to the common stock in use, probably not less than \$2,000,000,000, after making every allowance for its use in the arts, its waste, and other causes of absorption. So immense is this addition in proportion to the aggregate bank-paper circulation of the commercial world, that if that paper circulation had, during the accumulation, been wholly withdrawn, it is probable the influence of that withdrawal would not have been sensibly felt. The precious metals are thus at this moment in such profuse supply, that paper money is really now no longer a necessity, but only a convenience. The truth is, that our experience during the war has slaved us to a preposterous idea in regard to the necessity of paper money. A person has only to read some of the speeches made in Congress to see how inconsiderate and idle are the observations often made on this question.

It needs only a firm determination in Congress to take us safely and promptly through our financial perils. The country is abundantly able to surmount all its trials. It can do it in finance as it has done it in war. Our great enemy now is an irredeemable currency. We shall never conquer it by any apprehensive policy, which will be just

as fruitless in finance as it was in war. Our enemy now, as then, must be attacked and destroyed. And there can be no peace for trade and industry, and no solid prosperity for the country, till that is done.

CHAPTER VI.

Specific action in favor of resumption needed.—Methods proposed.—Impossibility of sudden action.—Necessity of deciding upon a fixed period.—When it can be accomplished.—British example.—Ability of the country to resume.

I HAVE suggested the prospective repeal of the Legal-Tender Act as the best specific action toward resumption, because the fixing of a definite period in the future for a return to solvency would have these beneficial effects: 1st. It would commit Congress to a positive policy of resumption. 2d. It would influence the banks and business interests of the country to shape their transactions with a view to this result. 3d. The sooner a period is decided upon for a return to coin payments, the sooner we shall have them. If, a year ago, it had been proposed to fix upon the expiration of three years from that time as the period of resuming, it would have been thought too distant. If the expiration of two years' time were *now* proposed, there would be many to say it would be too soon. Thus we may see that delay in naming the time only tends to postpone it.

It is objected to fixing upon a specific period, in advance, when the country will resume specie payments, that so much depends on the course of trade, and upon crops, and the state of the foreign exchanges, it is impolitic to do so; inasmuch as either of these causes, operating adversely, might frustrate the attempt. This is quite true. But the objection cannot be held to be valid, since nobody proposes impossibilities, and in case of any extraordinary or unusual concurrence of circumstances, no prospective plans] are executed. The

thing to do, is to canvass the probabilities, and propose what can be effected, no extraordinary contingency occurring. It is in this view, that we think it not difficult to measure with comparative certainty what the country is able to accomplish on the subject of resumption. It is only requisite to fully consider the subject, to reach a conclusion; and, having come to a determination, to act so as to realize it. There is no doubt about the ability of the country to resume specie payments within a reasonable time, if it chooses to do so, and is willing to undergo the strain and the pressure necessary to insure this result. It is not a question of power: it is a question of will. Let the country but convince itself that there must be a resumption of specie payments before there can be any thing like steadiness, or certainty, or solid prosperity in business and money affairs, and it will find but little difficulty in agreeing upon a period when it shall take place.

But besides this plan of repealing the Legal-Tender Act, there are three other methods of resumption:

The first is, to resume *instantly*, and fight our way through whatever obstacles may offer. Mr. Chase proposed this plan immediately on the close of the war. He has been an advocate of it ever since, believing it would produce less suffering than the process of slow contraction. The idea has been warmly urged also by the Editor of THE NEW YORK TRIBUNE.

A second mode has been proposed by eminent New York financiers to reach resumption; that is, to accumulate specie in the Treasury sufficient to raise the value of greenbacks, gradually, till they reach the specie level. This, it is believed, can be done by funding our 7.30s due this year and next, into long 7.30s, having fifteen or twenty years to run, and further, by disposing of our compound legal-tender 6 per cents. in the same way, or retiring them by the surplus paper money in the Treasury. It is supposed we could, by this process, add one hundred or more millions of specie to the existing stock in the Treasury in the course of eighteen months or two years,

and thus get a stock of coin sufficiently large to secure resumption.

I may say, in passing, that an important objection to this scheme is, that there is an element in Congress that looks with impatience and distrust upon large accumulations in the Treasury, and in the pressure that would attend resumption, there is too much reason to fear that that element would insist upon having the specie hoard scattered, by way of relief to the people. The difficulty is to fix upon *any* plan that, when the country calls for relief, Congress would not be pressed to thwart; and this, above all others, would be the easiest to break down.

The third method of resumption is the gradual contraction of the legal-tender issues of the Government. This mode, as we know, was recommended by the Secretary of the Treasury last year, and was adopted by Congress, limiting the action of Mr. McCulloch to the redemption of four millions a month, after taking in his interest-bearing legal tenders falling due in 1867 and 1868. But the majority of the House have, under the moderate pressure which has fallen on the money market, even before any contraction has taken place, recently voted against retiring any greenbacks whatever. So that the country is almost as much afloat in regard to what financial policy is to prevail, as it was before contraction was voted for at the last session. The same House, which was then for it, is now against it by a decisive majority.

There are, then, but four methods of coming to resumption. The first is a prospective repeal of the Legal-Tender Act, with proper corresponding legislation. The second is for the Government to declare resumption, and maintain it—if it can. The third is for the Government to fund its obligations maturing this year and next, in currency-paying bonds, and accumulate specie enough meantime to enable it to resume payment on its greenbacks. The fourth is to pursue a policy of steady contraction on its demand legal-tender notes, and

of funding or paying those drawing interest and maturing in 1867 and 1868; likewise of exchanging the currency-paying 7.30s due in 1867-'8 into 5-20 specie-paying six per cents.

This fourth plan is the one adopted by Mr. McCulloch, with one of the features of the third, namely, that of holding a good stock of specie. His plan, however, does not contemplate the hoarding of coin with which to redeem his greenbacks, because his conversion of the 7.3-10 currency-paying bonds due this year and next, into 6 per cent. coin-paying, would probably reduce his specie reserve so as never to leave him any thing but a working balance. He must then get rid of his demand legal tenders by the process of steady contraction mainly.

The objection to Mr. McCulloch's plan is, that while it is natural and in the regular order, it is a hard plan, gives him the laboring oar, and makes him the *bête noir* of resumption. Other interests in the country will not and cannot know just how fast or how slow he is getting on, except at agonizing intervals; nor what influences are or will be brought to bear on him to retard or to accelerate the time of resumption. One month the prospects of specie payments will loom and seem near; the next it will recede and fade in the distance. Then it gives opportunity and invites effort to influence the operations of the Treasury according to the interests of individuals, of corporations or of combinations. In a word, it lays the whole strain of a most disagreeable and difficult duty on the shoulders of a single man, whom it is impossible to suppose can be always insensible to the strong influences unceasingly besetting him. If he be bold and obstinate, he will be thwarted by those whom those qualities offend. If he be timid and yielding, he will disappoint and deceive others, and be but a blind leader of the blind. And thus all through the lingering process of a dubious resumption, the country will be in an unsettled state, never knowing what real progress is making toward it, and never knowing, therefore, how to regulate its affairs. The whole subject resting

upon the judgment, it may be the whim, of one man, sooner or later to be changed for another, no feeling of repose or certainty can ever find a lodgment in the minds of business men; and no confidence can ever be placed in the result of any mercantile or industrial enterprise whatever, till the event is finally realized.

The desire of Congress to restrain and to change the action of the Treasury Department, will be another element of disturbance even worse than the first. Where nothing is settled as to the period of resumption, the question will be constantly made a football of the various interests, noble and ignoble, which at different times bear sway in that body.

As to the policy of sudden resumption, I have no faith that it could be maintained if undertaken; because I believe the credit we should require in Europe, over and above our specie reserves, to retire the amount of currency it would be found necessary to redeem of the existing inordinate supply, in order to bring the volume down to the wants of our internal trade, would not be found available. That credit would need to be, probably, several hundred millions, and the sum is too great to be brought under control.

I argue, then, that the fixing of some definite period for resumption, within which time all the interests of the country would have opportunity to prepare for it and to accommodate themselves to it, and in which everybody would be bound to coöperate toward the result, or suffer the consequences of his own folly, is the surest, and safest, and most satisfactory method of reaching it. The Treasury would then have the same responsibility as individuals for the result, and no more. It could act more independently by being left to itself to prepare for the redemption of its own obligations, at the same time that everybody else would be expected to do the same thing. It would not be looked to, as it now is, as the special agent and manager of resumption, or as a power to postpone or precipitate that result. It would have its own proper responsibility, fill its own proper place, and discharge its own

proper duties. And as it would be with the Treasury, so it would be with the banks and bankers, and the whole trading public. The responsibility of resuming would be divided as it should be divided; and solvency would be left everywhere to its own resources and ability to protect itself. Nothing is so much to be desired as that all interests should get rid of their *quasi* connection with the Government. There is a sentiment in the country that the Government is somehow responsible, and pretty directly responsible, for the prosperity of its business interests. If money is scarce, Government should make it plenty. If it is plenty, Government should do nothing toward making it scarce. Individuals look to Government to protect them, instead of relying on themselves. This is a most pernicious state of things, and calls for reform and deliverance. The greatest favor Government can do for the business interests of a country is to withdraw itself from all special connection with them, leaving them wholly to the operation of general laws. This has been the character of American legislation in the past, and it is what has created American enterprise, American independence, and American wealth.

As to the time when resumption should take place, we do not desire to speak too positively.

In the present state of things there are two parties to prepare for it. One is the Government; the other, the public, including the banks. It would seem that when the Government is able to resume, the public should be, for the heaviest work is on the Treasury. It has got to provide for \$400,000,000 of demand legal tenders, \$150,000,000 of legal tenders drawing interest due in 1867 and 1868; and it must get into long loans its indebtedness on its 7.30 bonds, due this year and next, amounting to many hundred millions.

All this the Treasury must do before the Government is ready. I think it is fair to conclude that it needs the calendar years of 1867 and 1868, and it may be to the end of the fiscal year in June, 1869, to completely accomplish this end. But

there seems to be no reason why it cannot accomplish it within that period. The Government, in order to do it, has not to raise much money; it has chiefly to exchange and extend its loans, and to this operation there seems to be no impediment. With the compound-interest legal-tender notes taken up, and the 7.30s disposed of in this way, only the \$400,000,000 of demand legal tenders would then remain. Even without the proposed reduction of \$4,000,000 a month, the Government could probably successfully attempt resumption on that amount of outstanding obligations with \$100,000,000 of cash on hand, and a credit in Europe of \$100,000,000 more. It certainly could do it if the resumption of \$4,000,000 a month of these \$400,000,000 should go on for eighteen months or a couple of years to come.

My conclusion would then be that, with average seasons, no serious deficiency in the revenue, and no other special drawbacks, the country will be able to resume after the crop of 1868 shall be gathered; and if this shall be thought a reasonable conclusion, why should not Congress say so, and fix upon some such or some other definite period for resumption, and so let the country know what to expect; at the same time that it is offered an opportunity to adjust its business relations and interests to the proposed change? I submit that some definite decision of this sort, coming in the shape of a prospective repeal of the Legal-Tender Act, with the necessary corresponding legislation, would do more to settle the disorders which now perplex trade, and commerce, and finance; and to dispel the discouraging uncertainty which prevails everywhere, than any other less specific policy. What the country needs more than any thing else, is certainty of knowledge in regard to the disposition of the excess of our paper money. It could even accommodate itself to inflation, if inflation were a fixed and known quantity. If it were possible to prescribe positively that for twenty years we were to have neither more nor less than just the amount of circulating medium we now have, the trading world could adjust its

affairs to that state of things. The difficulty is, that while we are in a state of inflation there can be no certainty about any thing, and this constitutes its greatest curse and the strongest reason for putting an end to it.

Finally, we often hear it said by way of protest against fixing upon any near period of resumption, that the Bank of England was under suspension for four-and-twenty years, during and subsequent to the great Napoleonic wars, and how can we be expected to do better? This naked statement conveys a totally false impression. For a large portion of this period of twenty-four years the suspension was merely nominal, the notes of the bank being within three per cent. of par. This was especially the case in the seven consecutive years, from 1803 to 1810; and though in 1814 the notes fell below 75 per cent., yet two years after the peace of 1815, they rose again to be worth 97 cents on the dollar, which was substantial resumption; and they never fell below this mark until the final and absolute restoration of specie payments in May, 1822. So that, if we are to take England as an example, it is high time we had resumed.

England was engaged in a tremendous contest for most of the time from the close of our Revolutionary War till 1815. During the period from 1793 to that year, she borrowed more than \$2,300,000,000, and taxed herself prodigious sums; in the aggregate, we believe, far exceeding this amount, for war purposes; and yet she emerged from the contest with such financial strength, and exhibited such financial integrity, that the paper dollar became worth 97 cents within two years from its close. England thus sustained her commercial credit amid all the distresses of this exhausting period, in a manner to reflect everlasting honor upon the British name.

It is well that we should have our attention drawn to the contrast thus invited, between the suspension in England during her trials, and the suspension here. There is little in it to gratify our vanity, but much to excite our emulation. With no national distress, such as pervaded the British

Islands, but in the enjoyment of a wonderful national prosperity instead; with extraordinary resources of manufacturing, mining, and agricultural industry; with a supply of the precious metals in the world three times greater than existed in 1815, rendering the specie dollar worth no more than half what it was then worth; and with an internal annual product of gold of \$75,000,000, daily increasing, we cling to insolvency with the childish cry of inability to pay; and with ignorant audacity point to British experience as an excuse for our conduct. This is quite unworthy of the American name and nation. We are to-day, after all our expenditures, a rich and solvent people, and it is our business to act as becomes such a people. We challenge the good opinion of the world for our military exploits. We are amenable to its judgment, as well in our financial as in our martial conduct. Let the nation act so as to be alike proud of both hereafter.

APPENDIX.

From the New York Tribune of February 23, 1867.

OUR FINANCIAL DANGERS.

A VERY proper complement of the late proceedings in Congress on the currency question, is the proposition of Mr. Davis of the House, a member from New York, to authorize the Secretary of the Treasury to issue legal tenders, not bearing interest, to redeem the 7.30 loans due this year and next. This proposition was offered by Mr. Davis after the passage of the bill for the issue of \$100,000,000 of greenbacks, but a single objection was sufficient to arrest the consideration of his resolution. Proposing to pay the 6 per cent. compounds in this way, naturally suggests paying off the remainder of our national liabilities in the same manner. It certainly would be a great saving of interest to adopt Mr. Davis's scheme. We are paying \$50,000,000 a year interest on our 7.30's. Why shouldn't we save it by paying them off, bodily, in legal tenders? They are payable in currency, and are not greenbacks currency, and legal-tender currency? We are told on all sides that nothing can be better, as a basis of banking, as an instrument of trade, as a currency for the people, than Uncle Sam's promises to pay. They are claimed to be just as good as gold dollars, or silver dollars, for all the purposes for which money is required for our internal trade. If the legal-tender notes are as good as is alleged, why not pay off the 7.30 loan in them, as proposed by Mr. Davis? Why pay \$50,000,000 a year interest on this loan, when we can so easily get rid of

such a burdensome tax? If the legal-tender notes of the United States are just as good as coin for our internal trade and business, as we are told—if they are, in fact, money—then we cannot have too many of them, for no people can have too much money. The argument is irresistible, that not only is it a good thing to have the 7.30's paid in greenbacks, but it is the very best thing for everybody to have them so paid. And when we shall have paid the 7.30's, we have only to pass one more Legal-Tender Act, and under it pay off our 5.20's by the same process. When we have done this, we shall have realized the logical results of the inflation policy, supported by the thirty majority of the House in its vote of Thursday last. If this policy is sound for one step, it is sound for every similar step in the same direction, until we end by paying our whole loan, the entire national indebtedness, in irredeemable promises to pay. And we say to the holders of the national loan, and of every form and description of the national obligations drawing interest, that the logical result of the action of the inflationists in the House of Representatives is thus the utter destruction of those securities by their conversion into worthless paper-money. There is no end to the mischief which can be wrought by the vicious principle of the inflationists—that their redeemable legal-tender note of the Government is money, or is as good as money for any purpose whatever. We say that in its irredeemable state it is a treacherous, uncertain promise; and that the whole fabric of trade, commerce, industry, speculation, banking, based on it, is a rotten fabric, resting on rotten supports, and liable to crumble and go down in one universal crash.

The more especially, we say, is this true when the whole superstructure and foundation rests on a careless majority of inflationists in Congress. They need not tell us they do not mean this, and they do not mean that. They do not know what they mean. Their error and their vice is that they trust themselves to the guidance of an unsound principle which leads them, *nolens volens*, willing or unwilling, straight down the precipice of individual and national bankruptcy. They hold that to be security which is not security. They hold that to be money which is not money. They bedevil themselves and they bedevil the country with the idea that the irredeemable paper-money of the Government is a blessing. Following the lead of these false and pernicious ideas, they reason and they act

accordingly. Adopting the vicious principle that a small inflation is a good thing, they pave the way for a large inflation as a better.

If, then, the holders of Government securities do not wish to see these securities substantially repudiated, and themselves stripped, they must send somebody to Congress beside inflationists; whose ideas and whose measures lead directly to this result. The country must be made to realize that irredeemable paper-money is a bold swindle, by whomsoever issued, and is a disgrace to its utterer; and that they who would increase its volume, or prolong its existence a day, except under the pressure of a dire national necessity—a necessity which has long since ceased to exist in this country—are as much public enemies as they who would conspire for the national ruin in any other manner.

The people have suffered enough from the evils of a depreciated currency to insist on the demand for its extinction. The vast body of consumers have been long subjected to inordinate prices, in many cases arising from the powerful combinations of gigantic speculators dealing in and controlling all articles of consumption, and especially the necessities of life. These speculative combinations are supported by the banks, who earn their exorbitant profits by issuing their promises to pay, which they are never called upon to redeem; and thus they become co-conspirators with these plunderers upon the public. The banks are, too generally, no longer administered for the purpose of facilitating commercial operations by legitimate loans. Released from all obligation to pay, except in paper promises, they issue their notes, they afford their credit, they grant their aid, to bloated speculations on stocks and on commodities of every description. And still, not content with the enormous and ruinous agencies of inflation now controlled by them, they, and the operators they sustain, besiege Congress for such additional means of prosecuting their illegitimate, oppressive, and dangerous courses, as is afforded by the additional grant of the one hundred millions of greenbacks voted by the House on Thursday.*

* In these animadversions, we do not, of course, include all banks. We are compelled to deal in generalities, from the necessities of the case. But every sound bank has the means of self-justification by pointing to the character of its loans, and the measure of its expansion.

We warn all concerned that the way of the transgressor is hard. This sort of thing cannot long go on. The banks and the speculators may have their way for a time, but the day will come when the loose principles now avowed by their representatives, and the lying pretences on which they operate, namely, that a promise may be disregarded without shame, and that the shadow is as good as the substance, will work their own disgrace and destruction. Every solvent man and every solvent institution in the country is deeply interested in maintaining the idea that there is and can be no mercantile honor and no sound national financial credit inseparable from strict fidelity to pecuniary engagements. How far we have wandered and are wandering from this inflexible standard we forget to remember, in the midst of this rolling, inundating sea of promises to pay which the country has consented for these past few years to dignify with the name of money. The people have become debauched with its demoralizing example, and both individual and national credit is in danger of going down before the influences and ideas it has created in the great crisis upon which the country is now entering in its financial and industrial concerns. The cloud on the horizon may be yet no bigger than a man's hand. We have intimated what shape it may take, and indeed is likely to take, unless by common consent we are all willing to unite in the declaration that all deliberate irredeemable promises to pay, whether bank promises or Government promises, are audacious, juggling falsehoods, disgracing their utterers; and which must be relentlessly pursued and proclaimed as such, till they are driven out of existence.

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